BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
Washington, DC

In the Matter of	)	
	)	
Annual Assessment of the Status of Competition in the Market for the Delivery of Video Programming	)	**MB Docket No. 05-255**
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To: The Commission

COMMENTS OF THE NATIONAL RURAL TELECOMMUNICATIONS COOPERATIVE

1. Pursuant to Section 1.430 of the Commission's Rules and Regulations, the National Rural Telecommunications Cooperative (NRTC), by its attorneys, hereby submits these Comments in response to the Notice of Inquiry in the above-captioned proceeding.[1] NRTC has long been a regular participant in these annual proceedings and is pleased to share its views with the Commission again this year.

2. NRTC represents the advanced telecommunications and information technology interests of more than 1,200 rural utilities and affiliates throughout 47 states. Since it was founded in 1986, NRTC's mission has been to ensure that advanced telecommunications technologies and services are available to rural America. In the late 1980's, NRTC became one the first program packagers in the C-band television receive only (TVRO) earth station business and served rural America with that technology for nearly 20 years. Then, in the early 1990's, NRTC and its members provided critical capital and were instrumental in introducing the

[1] Notice of Inquiry, *Annual Assessment Of The Status Of Competition In The Market For The Delivery Of Video Programming*, FCC 05-155 (Aug. 12, 2005) (*NOI*).

DIRECTV direct broadcast satellite (DBS) service to rural America. Many NRTC members continue to distribute DIRECTV service today.

3. In addition to providing television services, NRTC currently works with many of its members in provisioning Internet services in rural communities across the country and is exploring opportunities through the deployment of broadband over powerline (BPL) technology. NRTC also has established a 220 MHz wireless network to provide Supervisory Control and Data Automation (SCADA) services for internal rural electric utility operations.

4. In April 2003, NRTC joined Liberty Satellite, LLC and Intelsat USA Sales Corporation, in investing in WildBlue Communications, Inc. (WildBlue), a Ka-band satellite licensee offering 2-way high-speed Internet access services targeted to rural areas lacking alternative broadband resources.[2] WildBlue became the first Ka-band satellite licensee to commence commercial service in the United States, when on June 2, 2005, NRTC member Bijou Telephone Cooperative of Byers, Colorado, provided WildBlue service to the Tuttle family of Strasburg, Colorado.

5. Only through a multi-platform approach -- involving satellite, wireless, fiber and other developing technologies -- will rural consumers realize the full benefits of Multichannel Video Programming Distributor (MVPD) competition. In this regard, in addition to its early role in the TVRO and DBS industries, NRTC has embarked on a significant effort to evaluate and provide nascent Internet Protocol Television (IPTV) technology and programming content to its members. NRTC's ability to deploy advanced telecommunications services in rural areas -- epitomized by the recent, successful launch of WildBlue's broadband service -- will continue to

[2] WildBlue is currently offering its Ka-band satellite broadband service from the Anik-F2 satellite located at 111.1° W.L. A second Ka-band satellite -- WildBlue 1 -- will offer service from 109.2° W.L.

have a positive effect on MVPD competition. NRTC shares the Commission's concerns, however, regarding various issues that are unique to rural MVPD consumers, such as an accurate determination on the number of homes passed and access to local broadcast signals.

A. NRTC is Pursuing a Multi-Faceted Approach to MVPD Deployment in Rural Areas.

6. The Commission has long been aware that the number of MVPD competitors in rural areas lags behind those in more densely populated urban areas. NRTC continues to believe that no single technological approach will increase the level of MVPD services throughout all of rural America. Instead, the deployment of multiple platforms will help to ensure that all rural Americans realize the benefits of increased MVPD competition. A multifaceted approach to MVPD deployment in rural areas is made all the more important due to the increasing role of triple-play offerings (*i.e.* voice, video and broadband offerings) by established MVPD providers.

7. For example, while NRTC members continue to deploy the DIRECTV DBS service in their respective territories, they are also deploying WildBlue broadband offerings. For rural consumers with no access to other forms of MVPD programming and broadband services, WildBlue and DIRECTV fill an important need in an efficient and cost effective manner and allow even those in the most remote areas of America to enjoy the same advanced communications technologies as their urban counterparts.

8. In addition, NRTC will soon offer its members IPTV technology and content for the deployment of complete triple-play services. NRTC believes that IPTV technology will play a crucial role in bringing additional video services to consumers across the country, especially those residing in rural areas.

9. NRTC also is exploring other technologies that may enhance MVPD offerings to consumers, such as broadband over powerline (BPL). On March 16, 2005, NRTC and the National Rural Electric Cooperative Association's (NRECA) Cooperative Research Network (CRN) announced a partnership in two pilot projects to study the performance of BPL in rural communities.[3] Through the aggressive deployment of satellite, wireline and other technologies, NRTC believes that all rural consumers ultimately may have access to MVPD services similar to those offered in more densely populated urban areas.

B. NRTC Believes the Developing IPTV Technology and Content Rights Will Have a Favorable Impact on Rural MVPD Deployment.

10. Along with DIRECTV services that NRTC has successfully offered for more than ten years, NRTC also hopes to provide its members with ready and cost-effective access to television programming via a low-cost end-to-end IPTV delivery system. NRTC expects such programming and technology to be ready for commercial deployment in early 2006.

11. While a number of NRTC members are already engaged in video distribution through TVRO, DBS and even traditional cable systems in some markets, it is clear to NRTC that a majority of rural telephone companies will look to commence video distribution operations using IPTV over digital subscriber lines (DSL). One study completed in 2004 indicates that more than 70% of independent telephone companies will be engaged in the video distribution

[3] The projects will involve two electric cooperatives, Southern Maryland Electric Cooperative in Hughesville, Maryland, and West Florida Electric Cooperative in Graceville, Florida. The project will help NRTC members make informed decisions about how BPL might be deployed on their distribution systems by measuring performance factors such as bandwidth, latency and reliability versus distance, subscriber density and usage levels, and distribution line characteristics. *See* (<http://www.nreca.org/nreca/Press_Room/Press_Releases/Current/20050316PressRelease.html>).

business by 2008.[4] NRTC is taking steps to ensure that these existing and new MVPD competitors have the tools necessary to serve as effective competitors in the marketplace.

12. For example, NRTC has recently begun exploring the possibility of buying cooperative (aggregation) rights to facilitate access to basic, premium, music and on-demand programming content by small rural telcos on the best possible competitive terms. Progress has been made in that effort as a significant number of programmers have "come to the table" and provided term sheets and/or draft contracts to NTCA which appear to be competitive with similarly situated MVPDs.

13. Progress in program access has been slow in some cases. This may be due to the fact that IPTV technology is new and programmers need to be assured that the security of their content will be sound. NRTC has undertaken a campaign to educate and ensure all rights-holders that their content will be transmitted over a closed system to a set top box with state-of-the-art security and hopes to have a package of upwards of 200 channels of video and audio content available to its members by April 2006.

14. In addition to providing access to content with IPTV rights, the NRTC also believes that it is imperative to find a cost-effective means for small rural telcos to receive and distribute video services. Currently, the cost of fully deployed IPTV MPEG-2 head end is more than $1 million. A 200-channel IPTV MPEG-4 head end with local signal access would cost a telco in excess of $3 million.[5] Obviously, in the case of a telco serving a community of fewer

[4] National Rural Electric Cooperative Association website http://www.nreca.org.

[5] Due to inherent bandwidth constraints of a DSL line, video operations will be optimal through utilization of MPEG-4 compression. This will enable the telcos to deliver multiple channels simultaneously to a subscriber as well as enable delivery of high definition television (HDTV), which is not possible using MPEG-2 compression over DSL.

than 5,000 to 7,000 households, such an investment would not be feasible. Hence, NRTC began seeking a financially viable and reputable transport partner capable of delivering programming via satellite in a format that is already in Internet protocol and MPEG-4. NRTC believes that it has found that partner in SES-AMERICOM (SES), the United States subsidiary of SES-GLOBAL.

15. In August 2005, NRTC entered into a term sheet with SES to support and market an SES service called "IP-Prime," a centralized, satellite delivered IPTV/MPEG-4 distribution solution.[6] Through the IP-Prime technology, video and audio will be received and processed at an SES facility for distribution via satellite to telco video hubs nationwide enabling the telcos to utilize a very simple head end to receive the pre-encapsulated signals and then to bundle traditional standard and HD programming with voice and broadband services -- similar to those services available to their urban counterparts.

16. Through IP Prime, the initial capital cost for a telco to enter the video distribution business will be less than $100,000 for a fully deployed IPTV/MPEG-4 two hundred channel system. This represents a capital cost reduction of nearly $3 million for the NRTC member compared to a stand-alone system. Further, because the IP Prime system will be centralized, the telcos largely will be "future-proofed" as technological advances will be integrated at the central uplink, rather than on a telco-by-telco basis. SES and NRTC expect to initiate trials of the service early next year. A full commercial roll-out of the IP Prime service in conjunction with NRTC's programming package is expected to be ready for rural and independent telephone operators serving more than 10 million households in the 2nd quarter of 2006.

[6] IP Prime will operate on the SES satellite AMC-9.

C. NRTC is Focused on Addressing the Unique Issues Facing Rural Markets in the MVPD Industry.

17. In previous Cable Competition Comments, NRTC has addressed many of the unique issues faced by rural consumers, such as the need for an accurate accounting of the homes passed statistic, the importance of increased local-into-local (LIL) deployment and the extension of the Commission's Program Access rules.[7] With respect to this year's report, NRTC continues to believe that certain uniquely rural issues warrant further attention by the Commission. A brief summary of these issues is addressed below.

18. **Homes Passed.** The Commission should establish -- finally -- an accurate statistic for the number of homes passed by cable. The Homes Passed statistic remains an important figure for determining the availability of multichannel programming services in rural America and is used in a variety of contexts both inside and outside the Commission. NRTC urges the Commission -- consistent with its precedent -- to focus its MVPD analysis of cable competition at the local level, where consumer choice occurs, and where the Homes Passed statistic is most critical.

19. **IPTV Franchises.** In recent months, a great deal of attention has been focused on the efforts of Incumbent Local Exchange Carriers (ILECs) to obtain statewide franchises for the deployment of MVPD services. Most recently, ILECs in Texas have successfully obtained a statewide franchise in Texas, and similar efforts are underway in New Jersey and elsewhere. NRTC is closely following these efforts, and their potential impact on rural American consumers. To the extent that stateside franchises facilitate the provision of MVPD services in rural and other underserved areas, NRTC supports the effort.

[7] 47 C.F.R. § 76.1002(c).

20. **SHVERA.** This past year, the Commission has engaged in a number of rulemaking proceedings that relate to its implementation of the Satellite Home Viewer Extension and Reauthorization Act of 2004 (SHVERA). Despite the significant headway made by the DBS industry in recent years, NRTC remains concerned that subscribers in rural areas have sufficient options for receiving local broadcast programming. NRTC is closely monitoring issues relating to rural consumers' rights with respect to distant network signal eligibility, the deployment of "significantly-viewed" stations and the SHVERA's treatment of the two-dish use. In all of these circumstances, NRTC urges the Commission to focus on facilitating the local consumers' ability to receive the widest possible variety of video programming choices.

21. **Access to Local Off-Air Signals.** NRTC members are concerned about their ability to secure retransmission rights to local off-air signals on fair and reasonable terms. As a new competitive entrant in the MVPD market, the telcos fear that they will face demands of substantial cash for carriage from broadcasters in their markets. The telco-video operator, as a new MVPD starting out with no subscribers, will not have the negotiating leverage of the incumbent cable system with which it desires to compete. In some markets, the telco will need to bring in a "local" signal that is some significant distance away from the telco's central office and will incur costs for the transport and repeating of those signals. An additional per subscriber carriage fee on top of such operating costs could be devastating to the chances of a new competitor entering the market. Hopefully, the telco's fears will not be realized and they will find ready access to broadcast signals on fair and reasonable terms. Nonetheless, NRTC urges the Commission to continue its observation of retransmission consent issues and to view those issues from the perspective of the small telco IPTV operator.

22. **Increased LIL.** Finally, NRTC continues to emphasize the importance of increased LIL service throughout rural America.[8] Access to local broadcast signals is not just about the delivery of entertainment programming. To the contrary, it is an issue of critical importance to the safety, health, and economic viability of each and every local community in the country. While NRTC is encouraged by the fact that in recent years the leading DBS providers have increased their LIL coverage throughout the country, ensuring access to local signals throughout the country is a critical MVPD issue and must remain a top priority for the Commission.

D. Conclusion.

Through the deployment of multiple technology platforms -- satellite, IPTV and BPL -- rural consumers will achieve enhanced MVPD competition. NRTC is particularly encouraged by the promise of IPTV technology, which is ideally suited for ensuring that rural consumers realize the benefits of triple-play offerings. Finally, NRTC encourages the Commission to continue to stress the importance in rural areas of an accurate homes passed statistic, access to local off-air signals, increased LIL and full implementation of SHVERA.

[8] *See e.g.* NRTC 2001 Cable Competition Comments. As NRTC noted in its comments at the time, in any natural disaster situation, local news provides vital information on safety procedures, emergency shelter location and how to obtain much needed assistance. This type of local information -- whether a news broadcast, an emergency management announcement or a weather update -- helps to protect lives and property. NRTC also notes the important role played by satellite companies in the recent disaster in the Gulf Coast region.

Respectfully Submitted,

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